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EXTRAORDINARY

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MINISTRY OF INTERNATIONAL TRADE

RESOLUTION

New Delhi, the 3rd January 1964

No. 29(1)EXP/63.—The Government of India in the late Ministry of Commerce and Industry (Department of International Trade) appointed on May 31, 1962, a Study Group under the Chairmanship of Shri K. P. Mathrani, Chairman of the Industrial Finance Corporation of India, New Delhi, to review the credit facilities available in the country for developing India's export trade; to determine, in the light of the current and prospective demand for export credit, the measures which would be necessary to strengthen and supplement the existing financial institutions; and, in particular, to consider:

- (i) the institutional arrangements to provide short, medium and long-term export finance on a liberal and wide-spread basis;
- (ii) the policy on the concessional rates of interest and discount chargeable to exporters by various lending institutions;
- (iii) whether it is necessary to set up an 'Export Finance Corporation' or 'Export Credit and Guarantee Corporation'; and
- (iv) the steps necessary to achieve the above.

The Study Group submitted its Report to the late Ministry of Commerce and Industry (Department of International Trade) on April 30, 1963.

2. The major recommendations of the Study Group and the decisions of the Government in respect thereof are set out in the Annexure.

3. Government wish to place on record their appreciation of the valuable work done by the Study Group.

ORDER

Ordered that a copy of the Resolution be communicated to all concerned.

Ordered also that the Resolution be published in the Gazette of India for general information.

D. S. JOSHI, Secy.

ANNEXURE

Sl. No.	Recommendations of the Study Group	Decision of the Govt.
1.	Representatives of exporters and Indian banks should be encouraged to explore overseas markets and establish connections with the banking institutions and importing agencies abroad.	Accepted in principle and will be implemented subject to the merits of each case.
2.	The machinery for providing continuous information regarding the pattern of trade, market conditions and business links for Indian exporters with buyers abroad should be strengthened.	Under Consideration
3.	As the experience of the Export Risks Insurance Corporation Limited in regard to its packing credit policy has been satisfactory, the Corporation could raise its guarantee to banks from the present limit of 50% to 66⅔% without incurring undue risk and with considerable advantage to exporters.	Accepted.
4.	The Reserve Bank of India should obtain periodical information of packing credit advanced by banks and exercise its moral suasion with them to follow a more liberal policy.	Accepted in principle
5.	In the cases of mica, mineral ores and handicrafts, in view of the lack of standardisation and wide price fluctuations, Government should provide suitable preshipment inspection and grading facilities and, if necessary, guarantees to banks against credit on the basis of preshipment inspection, grading and standardisation of goods.	Under consideration.
6.	In respect of exports which qualify for incentives in the form of import licences, Government should guarantee to the lending institutions amounts up to 75% of the gap between internal and external prices, the extent of this gap for the purpose of the guarantee scheme being limited in any event to 25% of the F.O.B. value of the goods exported. On the basis of these guarantees, the lending institutions should increase their loans, wherever they are now related to the lower international prices of the goods, upto reasonable levels. The Reserve Bank of India should give additional borrowing facilities to the banks to enable them to finance the transactions arising from the price gap mentioned above.	Accepted in principle.
7.	Some arrangement needs to be made to enable insurance companies to take up the business of giving performance guarantees.	It has not been possible to accept this recommendation due to lack of facilities for reinsurance.

Sl. No.	Recommendations of the Study Group	Decision of the Govt.
8.	A central coordinating agency should be established for administering an import-export stabilisation fund on the lines suggested by the Mudaliar Committee, in order to facilitate the import of essential raw materials necessary for increasing exports.	Under examination.
9.	The discount of element of the Sterling bill should have a basic relationship with the Bank rate in India. The Reserve Bank of India may fix a ceiling in respect of the discount element of the rupee, sterling and dollar usance bills at such levels as are competitive with similar rates abroad. The ceiling rates so fixed by the Reserve Bank should continue to apply, notwithstanding any rise in the structure of interest rates in India. Whenever the discount rates in the U.K. and in other major countries fall below the base level with reference to which the discount rates are fixed by the Reserve Bank on foreign currency bills, the ceiling should be so modified as to minimise or eliminate the disadvantage, if any, to the Indian exporters.	Under examination.
10.	In regard to short term credit for exports, which according to the law as it was recently amended can be granted upto 180 days, the Reserve Bank of India should charge a concessional rate of 3%, that is, 1½% below the Bank rate, on loans to scheduled banks, so that scheduled banks may be enabled to lend money at 4½% to the exporters. These preferential rates are meant to assist mainly exports of non-traditional items, but need not necessarily be limited to such items and may be available in the case of other deserving exports also.	Under examination.
11.	The Refinance Corporation for Industry, Ltd. should try to reduce its rate of interest on loans to the authorised dealers in foreign exchange from 5% to some lower figure so that the rate of interest which is ultimately charged to the Indian exporter for medium-term periods may not be more than 6% (against 4½%) recommended for short term export finance, <i>vide</i> above paragraph.	Under consideration.
12.	Further efforts should be made to enlarge the facilities available from the Refinance Corporation for Industry Ltd. in order that the resources of that body may be utilised to the extent possible for promotion of exports.	Accepted; further action is being taken to give effect to the recommendation.

Sl. No.	Recommendations of the Study Group	Decision of the Govt.
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13.	An Export Credit and Guarantee Corporation should be set up with the following functions:	Accepted in principle and will be implemented by transforming suitably the present Export Risks Insurance Corporation.
	(i) to administer the schemes of export risk insurance at present handled by the Export Risks Insurance Corporation Limited;	
	(ii) to administer the scheme of guarantees which may be approved from time to time with a view to remedying the various gaps in the system of export credit in the country;	
	(iii) to provide such supplementary credit facilities as are essential for promotion and development of exports; and	
	(iv) to perform such other functions as Government may assign to it from time to time in regard to export credit and guarantees.	
